

(Newaygo)  
Croton Township

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| <b>RECEIVED</b><br>DEPT. OF TREASURY<br>✓ AUG - 6 2004<br>March 31, 2004<br>LOCAL AUDIT & FINANCE DIV. | <b>STATEMENTS AND<br/>INDEPENDENT AUDITORS' REPORT</b> |
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62-1070

# Auditing Procedures Report

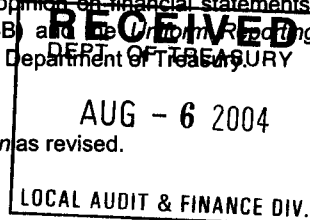
Issued under P.A. 2 of 1968, as amended.

|   |                                |   |                          |
|---|--------------------------------|---|--------------------------|
| Local Government Type<br><input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other |                                | Local Government Name<br><b>Croton Township</b>             | County<br><b>Newaygo</b> |
| Audit Date<br><b>3/31/04</b>  | Opinion Date<br><b>7/22/04</b> | Date Accountant Report Submitted to State:<br><b>8/3/04</b> |                          |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

|   | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   | ✓        |                 |              |
| Reports on individual federal financial assistance programs (program audits). |          |                 | ✓            |
| Single Audit Reports (ASLGU).   |          |                 | ✓            |

|   |                         |                         |                     |
|---|-------------------------|-------------------------|---------------------|
| Certified Public Accountant (Firm Name)<br><b>Brickley DeLong PLC</b>             |                         |                         |                     |
| Street Address<br><b>500 Terrace Plaza</b>  | City<br><b>Muskegon</b> | State<br><b>MI</b>      | ZIP<br><b>49443</b> |
| Accountant Signature<br><i>Timothy D. Carter, C.P.A. for Brickley DeLong, PLC</i> |                         | Date<br><b>8/3/2004</b> |                     |

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# BRICKLEY DeLONG

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

July 22, 2004

Township Board  
Croton Township  
Newaygo, Michigan

We have audited the accompanying general purpose financial statements of Croton Township as of and for the year ended March 31, 2004 as listed in the table of contents. These general purpose financial statements are the responsibility of Croton Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Croton Township as of March 31, 2004 and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements, as provided on pages 22 through 29, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Croton Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Brickley DeLong, P.C.*

Croton Township  
**COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUP**  
 March 31, 2004

**ASSETS**

|   | Governmental fund types |                    |                 | Proprietary<br>fund type | Fiduciary<br>fund types | General<br>Fixed Assets<br>Account group |
|---|-------------------------|--------------------|-----------------|--------------------------|-------------------------|--|
|   | General                 | Special<br>revenue | Debt<br>service |                          |                         |  |
|   |                         |                    |                 |                          |                         |  |
| Cash and investments  | \$ 223,215              | \$ 779,167         | \$ 3,509        | \$ 174,348               | \$ 421,091              | \$ -                                     |
| Due from other governmental units   | 39,258                  | 36,684             | 1,078           | -                        | -                       | -  |
| Due from other funds  | 24,154                  | -                  | -               | -                        | -                       | -  |
| Prepaid expenditures  | 8,525                   | -                  | -               | -                        | -                       | -  |
| Property, plant and equipment—at cost, net<br>of accumulated depreciation | -                       | -                  | -               | 261,179                  | -                       | 1,012,435                                |
|   | <u>\$ 295,152</u>       | <u>\$ 815,851</u>  | <u>\$ 4,587</u> | <u>\$ 435,527</u>        | <u>\$ 421,091</u>       | <u>\$ 1,012,435</u>                      |

**LIABILITIES AND FUND EQUITY**

|                                    |                   |                   |                 |                   |                   |                     |
|------------------------------------|-------------------|-------------------|-----------------|-------------------|-------------------|---------------------|
| Accounts payable                   | \$ 22,534         | \$ 2,356          | \$ -            | \$ -              | \$ -              | \$ -                |
| Due to other funds                 | -                 | 4,817             | 4,587           | 5,379             | 9,371             | -                   |
| Due to other governmental units    | -                 | -                 | -               | -                 | 308,503           | -                   |
| Deposits held for others           | -                 | -                 | -               | -                 | 7,134             | -                   |
| Deferred revenue                   | -                 | -                 | -               | 15,845            | -                 | -                   |
|                                    | <u>22,534</u>     | <u>7,173</u>      | <u>4,587</u>    | <u>21,224</u>     | <u>325,008</u>    | <u>-</u>            |
| Fund equity                        |                   |                   |                 |                   |                   |                     |
| Investment in general fixed assets | -                 | -                 | -               | -                 | -                 | 1,012,435           |
| Retained earnings                  |                   |                   |                 |                   |                   |                     |
| Unreserved                         |                   |                   |                 | 414,303           | -                 | -                   |
| Fund balances                      |                   |                   |                 |                   |                   |                     |
| Undesignated                       | 272,618           | 808,678           | -               | -                 | 96,083            | -                   |
|                                    | <u>272,618</u>    | <u>808,678</u>    | <u>-</u>        | <u>414,303</u>    | <u>96,083</u>     | <u>1,012,435</u>    |
|                                    | <u>\$ 295,152</u> | <u>\$ 815,851</u> | <u>\$ 4,587</u> | <u>\$ 435,527</u> | <u>\$ 421,091</u> | <u>\$ 1,012,435</u> |

The accompanying notes are an integral part of this statement.

Croton Township  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES—ALL GOVERNMENTAL FUND TYPES**  
 Year ended March 31, 2004

|   | Governmental fund types |                   |                |
|---|-------------------------|-------------------|----------------|
|   | General                 | Special revenue   | Debt service   |
| Revenues  |                         |                   |                |
| Taxes   | \$ 105,103              | \$ 321,063        | \$ -           |
| Licenses and permits  | 10,034                  | 25,720            | -              |
| Intergovernmental revenues  |                         |                   |                |
| Federal   | -                       | 71,896            | -              |
| State   | 208,162                 | -                 | -              |
| Special assessments   | -                       | -                 | 2,965          |
| Charges for services  | 17,035                  | 31,674            | -              |
| Investment income   | 4,224                   | 3,255             | 402            |
| Other   | 43,556                  | 18,126            | -              |
|   | <u>388,114</u>          | <u>471,734</u>    | <u>3,367</u>   |
| Expenditures  |                         |                   |                |
| Current   |                         |                   |                |
| Legislative   | 7,877                   | -                 | -              |
| General government  | 219,532                 | -                 | -              |
| Public safety   | -                       | 78,698            | -              |
| Public works  | 29,159                  | 141,166           | -              |
| Community and economic development  | 28,384                  | -                 | -              |
| Culture and recreation  | 47,750                  | -                 | -              |
| Other governmental functions  | 49,709                  | -                 | -              |
| Capital outlay  | 2,932                   | 72,044            | -              |
|   | <u>385,343</u>          | <u>291,908</u>    | <u>-</u>       |
| Excess of revenues over expenditures  | <u>2,771</u>            | <u>179,826</u>    | <u>3,367</u>   |
| Other financing sources (uses)  |                         |                   |                |
| Operating transfers in  | 4,587                   | 12,365            | -              |
| Operating transfers out   | (5,275)                 | (7,090)           | (4,587)        |
|   | <u>(688)</u>            | <u>5,275</u>      | <u>(4,587)</u> |
| Excess of revenues and other financing sources over (under) expenditures and other financing uses | 2,083                   | 185,101           | (1,220)        |
| Fund balances at April 1, 2003  | 270,535                 | 623,577           | 1,220          |
| Fund balances at March 31, 2004   | <u>\$ 272,618</u>       | <u>\$ 808,678</u> | <u>\$ -</u>    |

The accompanying notes are an integral part of this statement.

Croton Township  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES—BUDGET AND ACTUAL—GENERAL FUND AND SPECIAL REVENUE FUNDS**  
Year ended March 31, 2004

|  | General Fund      |                   |                                | Special Revenue Funds |                   |                                |
|--|-------------------|-------------------|--------------------------------|-----------------------|-------------------|--------------------------------|
|  | Amended<br>budget | Actual            | Over (under)<br>amended budget | Amended<br>budget     | Actual            | Over (under)<br>amended budget |
| <b>Revenues</b>  |                   |                   |                                |                       |                   |                                |
| Taxes  | \$ 91,000         | \$ 105,103        | \$ 14,103                      | \$ 305,180            | \$ 321,063        | \$ 15,883                      |
| Licenses and permits   | 1,000             | 10,034            | 9,034                          | 20,000                | 25,720            | 5,720                          |
| Intergovernmental revenues   |                   |                   |                                |                       |                   |                                |
| Federal  | -                 | -                 | -                              | -                     | 71,896            | 71,896                         |
| State  | 260,000           | 208,162           | (51,838)                       | -                     | -                 | -                              |
| Charges for services   | 18,000            | 17,035            | (965)                          | 35,000                | 31,674            | (3,326)                        |
| Investment income  | 4,000             | 4,224             | 224                            | 5,364                 | 3,255             | (2,109)                        |
| Other  | 5,000             | 43,556            | 38,556                         | 200                   | 18,126            | 17,926                         |
|  | <u>379,000</u>    | <u>388,114</u>    | <u>9,114</u>                   | <u>365,744</u>        | <u>471,734</u>    | <u>105,990</u>                 |
| <b>Expenditures</b>  |                   |                   |                                |                       |                   |                                |
| Current  |                   |                   |                                |                       |                   |                                |
| Legislative  | 8,800             | 7,877             | (923)                          | -                     | -                 | -                              |
| General government   | 185,300           | 219,532           | 34,232                         | -                     | -                 | -                              |
| Public safety  | -                 | -                 | -                              | 83,628                | 78,698            | (4,930)                        |
| Public works   | 31,000            | 29,159            | (1,841)                        | 209,354               | 141,166           | (68,188)                       |
| Community and economic development   | 32,050            | 28,384            | (3,666)                        | -                     | -                 | -                              |
| Culture and recreation   | 52,500            | 47,750            | (4,750)                        | -                     | -                 | -                              |
| Other governmental functions   | 65,500            | 49,709            | (15,791)                       | -                     | -                 | -                              |
| Capital outlay   | -                 | 2,932             | 2,932                          | 10,000                | 72,044            | 62,044                         |
|  | <u>375,150</u>    | <u>385,343</u>    | <u>10,193</u>                  | <u>302,982</u>        | <u>291,908</u>    | <u>(11,074)</u>                |
| Excess of revenues over expenditures   | 3,850             | 2,771             | (1,079)                        | 62,762                | 179,826           | 117,064                        |
| <b>Other financing sources (uses)</b>  |                   |                   |                                |                       |                   |                                |
| Operating transfers in   | -                 | 4,587             | 4,587                          | 8,041                 | 12,365            | 4,324                          |
| Operating transfers out  | -                 | (5,275)           | (5,275)                        | -                     | (7,090)           | (7,090)                        |
|  | <u>-</u>          | <u>(688)</u>      | <u>(688)</u>                   | <u>8,041</u>          | <u>5,275</u>      | <u>(2,766)</u>                 |
| Excess of revenues and other financing sources over<br>(under) expenditures and other financing uses | \$ 3,850          | 2,083             | \$ (1,767)                     | \$ 70,803             | 185,101           | \$ 114,298                     |
| Fund balances at April 1, 2003   |                   | 270,535           |                                |                       | 623,577           |                                |
| Fund balances at March 31, 2004  |                   | <u>\$ 272,618</u> |                                |                       | <u>\$ 808,678</u> |                                |

The accompanying notes are an integral part of this statement.



Croton Township  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED  
EARNINGS—PROPRIETARY FUND TYPE**  
Year ended March 31, 2004

|                                     |                   |
|-------------------------------------|-------------------|
| Operating revenues                  | <u>Enterprise</u> |
| Charges for services                | \$ 170,511        |
| Operating expenses                  |                   |
| Operations                          | 184,331           |
| Depreciation                        | <u>16,931</u>     |
|                                     | <u>201,262</u>    |
| Operating loss                      | (30,751)          |
| Non-operating revenues (expenses)   |                   |
| Investment income                   | 1,884             |
| Loss on sale of equipment           | <u>(739)</u>      |
|                                     | <u>1,145</u>      |
| Net loss                            | (29,606)          |
| Retained earnings at April 1, 2003  | <u>443,909</u>    |
| Retained earnings at March 31, 2004 | <u>\$ 414,303</u> |

The accompanying notes are an integral part of this statement.

Croton Township  
**STATEMENT OF CASH FLOWS—PROPRIETARY FUND TYPE**  
Year ended March 31, 2004

|   |                          |
|---|--------------------------|
| Operating activities  | Enterprise               |
| Operating loss  | \$ (30,751)              |
| Adjustments to reconcile operating loss to net cash used for operating activities |                          |
| Depreciation  | 16,931                   |
| Funds for operations  | <u>(13,820)</u>          |
| Increase (decrease) in operating liabilities                                      |                          |
| Accrued liabilities   | (2,134)                  |
| Due to other funds  | 5,379                    |
| Deferred revenue  | <u>6,110</u>             |
| Net cash used for operating activities  | (4,465)                  |
| Capital and related financing activities  |                          |
| Property and equipment purchases  | (82,389)                 |
| Proceeds from sale of equipment   | <u>2,500</u>             |
| Net cash used for capital and related financing activities                        | (79,889)                 |
| Investing activities  |                          |
| Investment income   | <u>1,884</u>             |
| DECREASE IN CASH AND INVESTMENTS  | (82,470)                 |
| Cash and investments at April 1, 2003   | <u>256,818</u>           |
| Cash and investments at March 31, 2004  | <u><u>\$ 174,348</u></u> |

The accompanying notes are an integral part of this statement.

Croton Township  
Pension Trust Fund  
**STATEMENT OF CHANGES IN PLAN NET ASSETS**  
Year ended March 31, 2004

|   |              |                         |
|---|--------------|-------------------------|
| <b>ADDITIONS</b>  |              |                         |
| Contributions   |              |                         |
| Employer contributions  | \$ 11,059    |                         |
| Employee contributions  | <u>7,400</u> | 18,459                  |
| Investment income   |              |                         |
| Net appreciation in fair value                                  |              | <u>33,370</u>           |
|   |              | <u>51,829</u>           |
| <b>DEDUCTIONS</b>   |              |                         |
| Benefits and distributions                                      |              | <u>7,151</u>            |
|   |              | 44,678                  |
| <b>NET INCREASE FOR THE YEAR</b>                                |              |                         |
|   |              | <u>51,405</u>           |
| Net assets held in trust for pension benefits at April 1, 2003  |              |                         |
| Net assets held in trust for pension benefits at March 31, 2004 |              | <u><u>\$ 96,083</u></u> |

The accompanying notes are an integral part of this statement.

Croton Township  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
March 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Croton Township (Township) are prepared in accordance with generally accepted accounting principles. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

1. Reporting Entity

The Croton Township is a general law township governed by an elected five-member board.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Since no organizations meet this criteria, none are included in the financial statements.

2. Fund Accounting

The accounts of the Township are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device used to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The following fund categories (further divided by fund type) and account groups are used by the Township:

***Governmental Funds***

Governmental funds are used to account for the Township's general government activities. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes. The debt service funds account for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

Croton Township  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED  
March 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

2. Fund Accounting—Continued

***Proprietary Funds***

Proprietary funds account for activities of the Township similar to those found in the private sector, where cost recovery and determination of net income is useful or necessary for sound fiscal management. Enterprise funds are used to account for those operations that provide services to the public.

***Fiduciary Funds***

Fiduciary funds account for assets held by the Township on behalf of others in a fiduciary capacity. Pension trust funds account for assets held in a fiduciary capacity for employee retirement benefits. Agency funds account for assets the Township holds on behalf of others.

***Account Group***

The general fixed assets account group is used to account for fixed assets not accounted for in proprietary or trust funds.

3. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types and expendable trust funds are presented using the flow of current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

The governmental fund types use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Township considers all tax revenues available if they are collected within sixty days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, interest, and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the Township and are recognized as revenue at that time.

Croton Township  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

3. Measurement Focus and Basis of Accounting—Continued

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Proprietary funds are accounted for on the flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. The accrual basis of accounting is used for proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Pension trust funds are custodial in nature and utilize accrual accounting. Agency funds are custodial in nature and do not measure results of operations or have a measurement focus.

4. Assets, Liabilities and Equity

a. Deposits and investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools, and certain mutual funds.

Pension plan investments are reported at fair value. The Township's pension trust investments are held in trust by the investment fiduciary, The Manufacturers Life Insurance Company. Michigan Compiled Laws, Section 38.1132, authorizes the Township's plan to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts obligations of a specified nature, and real or personal property.

Croton Township  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Equity—Continued

b. Receivables and payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Delinquent utility billings are placed on the tax roll and are therefore considered to be ultimately collectible.

The Township bills and collects its own property taxes. Taxes are levied on December 1 and are due without penalty on or before February 15. The property taxes attach as an enforceable lien on property as of December 1. Uncollected real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all of these delinquent real property taxes. Collection of delinquent personal property taxes as of February 28 remains the responsibility of the Township Treasurer. Since substantially all Township property taxes levied are current receivables, tax revenues are recognized when levied.

The 2003 State taxable value for real/personal property of the Township totaled \$87,933,758 on which ad valorem taxes levied consisted of 0.80 mills for general operating purposes, .80 mills for fire services, .94 mills for fire equipment and 1.92 mills for roads. These amounts are recognized in the respective General Fund, Road Millage, Fire Department, and Equipment Fund financial statements.

Croton Township  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED  
March 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Equity—Continued

c. Property and Equipment

Property and equipment used in governmental fund types of the Township are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks, and other assets that are immovable and of value only to the government) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the general fixed assets account group or capitalized in the proprietary funds.

Property and equipment in the proprietary funds of the Township are recorded at cost. Property and equipment donated to these proprietary fund type operations are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property and equipment are depreciated in the proprietary fund of the Township utilizing the straight-line method over the following estimated useful lives:

| <u>Assets</u>             | <u>Years</u> |
|---------------------------|--------------|
| Building and improvements | 40           |
| Equipment                 | 5-15         |

d. Long-term obligations

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

The Township has no compensated absences for its employees.



Croton Township  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Equity—Continued

e. Fund equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

f. Combining statements

The Township operates a single debt service and enterprise fund; therefore, no combining statements for these fund groups are presented.

g. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

***Budgetary Information***

Annual budgets, as required by state statutes, are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except capital projects funds.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first week of March, the Township Supervisor submits to the Township Board a proposed operating budget for the year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Not later than the first week in March, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

Croton Township  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED  
March 31, 2004

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued

***Budgetary Information—Continued***

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

NOTE C—DEPOSITS AND INVESTMENTS

1. Deposits

The Township's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 includes deposits which are uncollateralized.

As of March 31, 2004, the Township's carrying amount of deposits was \$1,272,851 and the bank balance was \$1,380,624. Of the bank balance, approximately \$215,000 was covered by federal depository insurance.

2. Investments

As of March 31, 2004, the Township's investments represented holdings in investment pools and mutual funds. During the year ended March 31, 2004, the Township's investments were only in these types of investments.

The Township's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or the securities held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the Township's name. The state-approved investment pools are not categorized as they are synonymous with mutual funds. As of March 31, 2004, the Township's carrying amount and market value in those mutual funds was \$301,940.

The composition of pension trust fund investments at fair value is included in the previous paragraph and shown in the following table:

|                              |                  |
|------------------------------|------------------|
| Managed domestic stock funds | \$ <u>75,000</u> |
|------------------------------|------------------|

Croton Township  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED**  
 March 31, 2004

**NOTE D—INTERFUND RECEIVABLES AND PAYABLES**

The interfund receivables and payables consisted of the following at March 31, 2004:

| <u>Fund</u>                           | <u>Interfund<br/>receivables</u> | <u>Interfund<br/>payables</u> |
|---------------------------------------|----------------------------------|-------------------------------|
| <i><b>Due from/to other funds</b></i> |                                  |                               |
| General Fund                          | \$ 24,154                        | \$ -                          |
| Special Revenue                       |                                  |                               |
| Equipment                             | -                                | 750                           |
| Building Department                   |                                  | 4,067                         |
| Debt Service                          |                                  |                               |
| Cozy Point                            | -                                | 9,371                         |
| Trust and Agency                      |                                  |                               |
| Tax Collection Fund                   | -                                | 4,587                         |
| Enterprise                            |                                  |                               |
| Campground                            | -                                | 5,379                         |
|                                       | <u>\$ 24,154</u>                 | <u>\$ 24,154</u>              |

**NOTE E—PROPERTY AND EQUIPMENT**

**1. Summary of Property and Equipment**

Property and equipment consists of the following at March 31, 2004:

|                               | <u>Enterprise<br/>Fund</u> | <u>General<br/>Fixed Assets<br/>Account Group</u> |
|-------------------------------|----------------------------|---|
| Building and improvements     | \$ -                       | \$ 380,315  |
| Machinery and equipment       | -                          | 611,618   |
| Land and land improvements    | -                          | 20,502  |
| Campground assets             | <u>347,849</u>             | <u>-</u>  |
|                               | 347,849                    | 1,012,435   |
| Less accumulated depreciation | <u>(86,670)</u>            | <u>-</u>  |
| Total                         | <u>\$ 261,179</u>          | <u>\$ 1,012,435</u>                               |

Croton Township  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED**  
 March 31, 2004

**NOTE E—PROPERTY AND EQUIPMENT—Continued**

**2. Summary of Changes in General Fixed Assets**

|                            | Balance<br>April 1,<br><u>2003</u> | <u>Additions</u> | <u>Deletions</u> | Balance<br>March 31,<br><u>2004</u> |
|----------------------------|------------------------------------|------------------|------------------|-------------------------------------|
| Buildings and improvements | \$380,315                          | \$ -             | \$ -             | \$ 380,315                          |
| Machinery and equipment    | 543,375                            | 72,818           | 4,575            | 611,618                             |
| Land and improvements      | <u>20,502</u>                      | <u>-</u>         | <u>-</u>         | <u>20,502</u>                       |
|                            | <u>\$944,192</u>                   | <u>\$ 72,818</u> | <u>\$ 4,575</u>  | <u>\$1,012,435</u>                  |

**NOTE F—OTHER INFORMATION**

**1. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no losses in excess of insurance in the past three years.

**2. Segment Information for Enterprise Fund**

Croton Township maintains a fund which provides campground facilities to the public. Segment information for the year ended March 31, 2004 is as follows:

|                                  |            |
|----------------------------------|------------|
| Operating revenues               | \$ 170,511 |
| Depreciation                     | 16,931     |
| Operating loss                   | (30,751)   |
| Net loss                         | (29,606)   |
| Net working capital              | 153,124    |
| Property and equipment additions | 82,389     |
| Total assets                     | 435,527    |
| Total equity                     | 414,303    |

Croton Township  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2004

NOTE F—OTHER INFORMATION—Continued

3. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Township expects such amounts, if any, to be immaterial.

NOTE G—PENSION PLAN

The Township provides pension benefits for all of its board members and full-time employees through a money purchase plan. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. The Plan is administered through an independent third party, and contributions are based on annual earnings. For the year ended March 31, 2004, the contribution to the Plan by the Township was approximately \$11,000, which represents ten percent of covered payroll.

NOTE H—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 54 percent of General Fund revenues.

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS**

Croton Township  
General Fund  
**STATEMENT OF REVENUES**  
Year ended March 31, 2004

|                                  |                   |
|----------------------------------|-------------------|
| Revenues                         |                   |
| Taxes                            |                   |
| Property taxes                   | \$ 78,638         |
| Administration fees              | 26,465            |
|                                  | <u>105,103</u>    |
| Licenses and permits             | 10,034            |
| Intergovernmental revenues—state | 208,162           |
| Charges for services             |                   |
| Charges for services             | 11,395            |
| Rental income                    | 5,640             |
|                                  | <u>17,035</u>     |
| Investment income                | 4,224             |
| Other                            |                   |
| Reimbursements and refunds       | 23,930            |
| Other                            | 19,626            |
|                                  | <u>43,556</u>     |
| Other financing sources          |                   |
| Operating transfer in            | <u>4,587</u>      |
|                                  | <u>\$ 392,701</u> |

Croton Township  
General Fund  
**STATEMENT OF EXPENDITURES**  
Year ended March 31, 2004

|                            |               |
|----------------------------|---------------|
| Expenditures               |               |
| Legislative                |               |
| Township board             |               |
| Salaries and wages         | \$ 6,000      |
| Other services and charges | 1,877         |
|                            | <u>7,877</u>  |
| General government         |               |
| Supervisor                 |               |
| Salaries and wages         | 8,050         |
| Assistant wages            | 8,050         |
| Supplies                   | 99            |
| Other services and charges | 712           |
|                            | <u>16,911</u> |
| Assessor                   |               |
| Contracted services        | 23,005        |
| Supplies                   | 2,076         |
| Training                   | 195           |
| Other services and charges | 763           |
|                            | <u>26,039</u> |
| Elections                  |               |
| Salaries and wages         | 692           |
| Supplies                   | 58            |
| Transportation             | 35            |
| Training                   | 140           |
|                            | <u>925</u>    |
| Clerk                      |               |
| Salaries and wages         | 16,000        |
| Deputy clerk wages         | 1,317         |
| Supplies                   | 1,249         |
| Transportation             | 205           |
| Other services and charges | 469           |
|                            | <u>19,240</u> |



Croton Township  
General Fund  
**STATEMENT OF EXPENDITURES—CONTINUED**  
Year ended March 31, 2004

|                              |                |
|------------------------------|----------------|
| Expenditures—Continued       |                |
| General government—Continued |                |
| Board of review              |                |
| Salaries and wages           | \$ 3,227       |
| Printing                     | 141            |
| Other services and charges   | 73             |
|                              | <u>3,441</u>   |
| Treasurer                    |                |
| Salaries and wages           | 16,000         |
| Deputy treasurer wages       | 1,780          |
| Supplies                     | 641            |
| Printing                     | 8,226          |
| Transportation               | 93             |
|                              | <u>26,740</u>  |
| Township hall and grounds    |                |
| Salaries and wages           | 7,112          |
| Supplies                     | 2,298          |
| Printing                     | 2,946          |
| Professional services        | 82,803         |
| Contracted services          | 571            |
| Utilities                    | 2,152          |
| Repairs and maintenance      | 3,255          |
| Communications               | 3,970          |
| Training                     | 3,031          |
| Other services and charges   | 1,885          |
|                              | <u>110,023</u> |
| Cemetery                     |                |
| Supplies                     | 413            |
| Utilities                    | 299            |
| Repairs and maintenance      | 15,321         |
| Other services and charges   | 180            |
|                              | <u>16,213</u>  |
|                              | <u>219,532</u> |

Croton Township  
General Fund  
**STATEMENT OF EXPENDITURES—CONTINUED**  
Year ended March 31, 2004

|                                    |                   |
|------------------------------------|-------------------|
| Expenditures—Continued             |                   |
| Public works                       |                   |
| Contracted services                | \$ 20,464         |
| Street lights                      | 8,695             |
|                                    | <u>29,159</u>     |
| Community and economic development |                   |
| Zoning administrator               | 7,590             |
| Planning commission                | 5,252             |
| Board of appeals                   | 160               |
| Professional services              | 13,315            |
| Supplies                           | 145               |
| Printing                           | 1,406             |
| Training                           | 429               |
| Transportation                     | 87                |
|                                    | <u>28,384</u>     |
| Culture and recreation             |                   |
| Salaries and wages                 | 18,674            |
| Supplies                           | 279               |
| Contracted services                | 12,788            |
| Utilities                          | 254               |
| Repairs and maintenance            | 13,292            |
| Communications                     | 699               |
| Transportation                     | 835               |
| Training                           | 45                |
| Other services and charges         | 884               |
|                                    | <u>47,750</u>     |
| Other governmental functions       |                   |
| Payroll taxes                      | 7,438             |
| Pension                            | 11,506            |
| Insurance                          | 24,866            |
| Other services and charges         | 5,899             |
|                                    | <u>49,709</u>     |
| Capital outlay                     | 2,932             |
| Other financing uses               |                   |
| Operating transfers out            | 5,275             |
|                                    | <u>\$ 390,618</u> |

Croton Township  
Special Revenue Funds  
**COMBINING BALANCE SHEET**  
March 31, 2004

ASSETS

|                                   | Combined          | Road<br>Millage   | Transfer<br>Station | Fire<br>Department | Equipment         | Boardwalk        | Building<br>Department |
|-----------------------------------|-------------------|-------------------|---------------------|--------------------|-------------------|------------------|------------------------|
| Cash and investments              | \$ 779,167        | \$ 289,613        | \$ 829              | \$ 163,283         | \$ 285,332        | \$ 14,963        | \$ 25,147              |
| Due from other governmental units | <u>36,684</u>     | <u>19,306</u>     | <u>-</u>            | <u>8,005</u>       | <u>9,373</u>      | <u>-</u>         | <u>-</u>               |
|                                   | <u>\$ 815,851</u> | <u>\$ 308,919</u> | <u>\$ 829</u>       | <u>\$ 171,288</u>  | <u>\$ 294,705</u> | <u>\$ 14,963</u> | <u>\$ 25,147</u>       |

LIABILITIES AND FUND BALANCES

|                    |                   |                   |               |                   |                   |                  |                  |
|--------------------|-------------------|-------------------|---------------|-------------------|-------------------|------------------|------------------|
| LIABILITIES        |                   |                   |               |                   |                   |                  |                  |
| Accounts payable   | \$ 2,356          | \$ -              | \$ -          | \$ 2,343          | \$ -              | \$ -             | \$ 13            |
| Due to other funds | <u>4,817</u>      | <u>-</u>          | <u>-</u>      | <u>-</u>          | <u>750</u>        | <u>-</u>         | <u>4,067</u>     |
|                    | <u>7,173</u>      | <u>-</u>          | <u>-</u>      | <u>2,343</u>      | <u>750</u>        | <u>-</u>         | <u>4,080</u>     |
| FUND BALANCES      |                   |                   |               |                   |                   |                  |                  |
| Undesignated       | <u>808,678</u>    | <u>308,919</u>    | <u>829</u>    | <u>168,945</u>    | <u>293,955</u>    | <u>14,963</u>    | <u>21,067</u>    |
|                    | <u>\$ 815,851</u> | <u>\$ 308,919</u> | <u>\$ 829</u> | <u>\$ 171,288</u> | <u>\$ 294,705</u> | <u>\$ 14,963</u> | <u>\$ 25,147</u> |

Croton Township  
Special Revenue Funds  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**  
Year ended March 31, 2004

|   | Combined          | Road<br>Millage   | Transfer<br>Station | Fire<br>Department | Equipment         | Boardwalk        | Building<br>Department |
|---|-------------------|-------------------|---------------------|--------------------|-------------------|------------------|------------------------|
| <b>Revenues</b>   |                   |                   |                     |                    |                   |                  |                        |
| Taxes   | \$ 321,063        | \$ 168,578        | \$ -                | \$ 70,224          | \$ 82,261         | \$ -             | \$ -                   |
| Licenses and permits  | 25,720            | -                 | -                   | -                  | -                 | -                | 25,720                 |
| Intergovernmental revenues—federal  | 71,896            | -                 | -                   | 71,146             | 750               | -                | -                      |
| Charges for services  | 31,674            | -                 | 31,674              | -                  | -                 | -                | -                      |
| Investment income   | 3,255             | 817               | 10                  | 1,195              | 1,104             | 17               | 112                    |
| Other   | 18,126            | -                 | -                   | 240                | 1,648             | 16,238           | -                      |
|   | <u>471,734</u>    | <u>169,395</u>    | <u>31,684</u>       | <u>142,805</u>     | <u>85,763</u>     | <u>16,255</u>    | <u>25,832</u>          |
| <b>Expenditures</b>   |                   |                   |                     |                    |                   |                  |                        |
| Public safety   | 78,698            | -                 | -                   | 59,318             | -                 | -                | 19,380                 |
| Public works  | 141,166           | 102,531           | 37,343              | -                  | -                 | 1,292            | -                      |
| Capital outlay  | 72,044            | -                 | -                   | 72,044             | -                 | -                | -                      |
|   | <u>291,908</u>    | <u>102,531</u>    | <u>37,343</u>       | <u>131,362</u>     | <u>-</u>          | <u>1,292</u>     | <u>19,380</u>          |
| Excess of revenues over (under) expenditures  | 179,826           | 66,864            | (5,659)             | 11,443             | 85,763            | 14,963           | 6,452                  |
| Other financing sources (uses)  |                   |                   |                     |                    |                   |                  |                        |
| Operating transfers in  | 12,365            | -                 | 5,275               | 7,090              | -                 | -                | -                      |
| Operating transfers out   | (7,090)           | -                 | -                   | -                  | (7,090)           | -                | -                      |
|   | <u>5,275</u>      | <u>-</u>          | <u>5,275</u>        | <u>7,090</u>       | <u>(7,090)</u>    | <u>-</u>         | <u>-</u>               |
| Excess of revenues and other financing<br>sources over (under) expenditures and other<br>financing uses | 185,101           | 66,864            | (384)               | 18,533             | 78,673            | 14,963           | 6,452                  |
| Fund balances at April 1, 2003  | 623,577           | 242,055           | 1,213               | 150,412            | 215,282           | -                | 14,615                 |
| Fund balances at March 31, 2004   | <u>\$ 808,678</u> | <u>\$ 308,919</u> | <u>\$ 829</u>       | <u>\$ 168,945</u>  | <u>\$ 293,955</u> | <u>\$ 14,963</u> | <u>\$ 21,067</u>       |

## ASSETS

## LIABILITIES AND FUND BALANCES

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Croton Township  
Trust and Agency Funds  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
March 31, 2004

**TAX COLLECTION FUND**

|                                 | April 1,<br>2003 | Additions        | Deductions       | March 31,<br>2004 |
|---------------------------------|------------------|------------------|------------------|-------------------|
| <b>ASSETS</b>                   |                  |                  |                  |                   |
| Cash and investments            | \$ 7,623         | \$ 2,859,909     | \$ 2,549,658     | \$ 317,874        |
|                                 | <u>7,623</u>     | <u>2,859,909</u> | <u>2,549,658</u> | <u>317,874</u>    |
| <b>LIABILITIES</b>              |                  |                  |                  |                   |
| Due to other funds              | \$ 1,591         | \$ 380,348       | \$ 372,568       | \$ 9,371          |
| Due to other governmental units | <u>6,032</u>     | <u>2,479,561</u> | <u>2,177,090</u> | <u>308,503</u>    |
|                                 | <u>7,623</u>     | <u>2,859,909</u> | <u>2,549,658</u> | <u>317,874</u>    |

**TRUST AND AGENCY FUND**

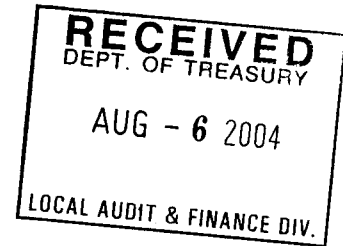
|                          |              |               |               |              |
|--------------------------|--------------|---------------|---------------|--------------|
| <b>ASSETS</b>            |              |               |               |              |
| Cash and investments     | \$ 5,580     | \$ 31,333     | \$ 29,779     | \$ 7,134     |
|                          | <u>5,580</u> | <u>31,333</u> | <u>29,779</u> | <u>7,134</u> |
| <b>LIABILITIES</b>       |              |               |               |              |
| Deposits held for others | \$ 5,580     | \$ 31,333     | \$ 29,779     | \$ 7,134     |
|                          | <u>5,580</u> | <u>31,333</u> | <u>29,779</u> | <u>7,134</u> |

BRICKLEY DeLONG  
CERTIFIED PUBLIC ACCOUNTANTS

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July 22, 2004

Township Board  
Croton Township  
Newaygo, Michigan



In planning and performing our audit of the financial statements of the Croton Township for the year ended March 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Croton Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. We have attached a summary of such reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we do not believe any the reportable conditions are material weaknesses.

This report is intended for the information and use of the audit committee, management, others within the organization, Township Board, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Brickley DeLong, PLLC*

## REPORTABLE CONDITIONS

Recommendation 1: Internal controls should be strengthened by use of passwords for access to computers.

During our inquiry of management, we noted that computer passwords are not required in order to gain access to accounting programs. Open access to computer software could enable unauthorized use/manipulation of the computer system.

The required use of user passwords would help ensure only authorized access to sensitive computer software programs.

Recommendation 2: Employee pension expenditures should be allocated monthly.

Employee pension expenditures are allocated annually causing monthly General Fund financial statements to overstate employee benefits and, correspondingly, other funds' monthly financial statements to understate employee benefits. Further, this condition delays the reimbursement of General Fund expenditures.

Monthly allocations of employee benefit expenditures would increase the accuracy of monthly financial statements and would improve the General Fund's cash flow

Recommendation 3: Property tax collections should be remitted timely to other governmental units in accordance with State of Michigan requirements.

State of Michigan statutes and regulations require townships collecting property taxes to remit to other governmental units all property taxes collected during a fifteen (15) day period within ten (10) days after such period.

During our testing, we noted that the Township was delinquent in remitting taxes to the county and school district as of March 31, 2004

The timely remittance of tax collections and other receipts to other governmental units would ensure compliance with State of Michigan requirements and would provide such entities with vital cash resources on a timely basis to meet their current cash requirements.

We consider the following material weaknesses contained in our September 25, 2003 letter as still applicable:

Recommendation 2: The various due from (due to) other fund account balances should be reconciled on a monthly basis.